COMPANY UPDATE

Inari Amertron (INRI MK)

A Bold Yet Strategic Move, Unlocking Multi-Pronged Upside

Inari is partnering San'an to jointly acquire 100% shares in Lumileds for a total enterprise value of US$280m, subject to net debt adjustments. While earnings accretion hinges on a successful operational turnaround, we view it as a net positive, given: a) a more diversified portfolio with reduced cyclicality; b) a new revenue stream through the OSAT insourcing model; and c) access to top-tier global names in the automotive, industrial and smartphone segments. Maintain BUY. Target price: RM2.36.

WHAT'S NEW

- **Partnering with San'an to acquire Lumileds International.** In partnership with San'an Optoelectronics (San'an), Inari Amertron has announced its plans to jointly acquire 100% shares in Lumileds Holdings B.V. and its 11 Asian and European subsidiary companies (Lumileds International), for a total enterprise value (EV) of US$239m to be satisfied wholly in cash. Essentially, the final purchase price of the shares would be the sum of the total enterprise value, adjusted for net debt and net working capital adjustment, to be determined within 105 business days after the completion date (3QFY26). The proposed joint acquisition will be done via an SPV to be incorporated in Hong Kong, jointly owned by San'an (74.5%) and Inari (25.5%), and to be accounted as Inari's associate. Both parties will inject around US$41m into the HK SPV for working capital purposes totalling to an investment outlay of USD280m. At 25.5% stake, Inari's commitment of US$71.4m (or RM307m) will be funded by its unutilised private placement proceeds (at RM369.8m).
- **Synergistic venture into global LED platform.** Lumileds International is a global leader in the LED industry, offering a comprehensive portfolio across automotive lighting, mobile camera flash modules, and high-performance specialty illumination. Its clientele includes some of the world's leading smartphone OEMs and top tier premium automotive brands. In 2024, it recorded revenue of USD589m with a net loss of USD67m in 2024, while total liabilities stood at USD322m as of 1Q25. Meanwhile, San'an is a renowned high end LED chip manufacturer in China with annual revenue of RMB16.1b in 2024 and market cap of RMB60b as of last Friday.
- **A compelling risk reward proposition.** While earnings accretion remains contingent on a successful operational turnaround, we are positive on this strategic acquisition as it accelerates Inari's expansion into the automotive and specialty illumination LED segments (and potentially via OSAT insourcing model), aligning with its long-term vision of building a vertically integrated, broader technology platform with a diversified earnings base. Meanwhile, Lumileds' established backend LED assembly operations in Penang (>2,500 staff) offer immediate synergies through geographic proximity and operational familiarity. Post-acquisition, beyond gaining exposure to various components in top-tier smartphone OEMs, Inari will also benefit from access to global Tier 1 automotive OEMs, leading LED module suppliers, and specialty LED applications across consumer and industrial markets – effectively reducing customer concentration risk and moderating earnings cyclicality from its existing business.

KEY FINANCIALS

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	1,354	1,479	1,409	1,502	1,687
EBITDA	463	435	390	437	491
Operating profit	356	312	272	316	365
Net profit (rep./act.)	324	300	254	295	349
Net profit (adj.)	320	306	254	295	349
EPS (sen)	8.6	8.2	6.8	7.8	9.3
PE (x)	24.9	26.1	31.5	27.2	23.0
P/B (x)	3.1	2.9	2.9	2.8	2.8
EV/EBITDA (x)	13.0	13.7	15.6	14.0	12.5
Dividend yield (%)	3.8	3.6	2.9	3.3	3.9
Net margin (%)	23.9	20.3	18.0	19.6	20.7
Net debt/(cash) to equity (%)	-70.4	-80.9	-76.5	-75.1	-73.3
Interest cover (x)	247.2	223.9	195.0	218.7	245.4
ROE (%)	12.7	12.2	10.9	13.6	16.0
Consensus net profit			265	318	364
UOBKH/Consensus (x)			0.96	0.93	0.96

Source: Inari Amertron , Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.13
Target Price	RM2.36
Upside	+10.8%

COMPANY DESCRIPTION

Inari is the largest semiconductor company in Malaysia and a top OSAT supplier for Broadcom's Radio Frequency (RF) components. It also manufactures and assembles optoelectronics and fibre-optics related components.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	INRI MK
Shares issued (m):	3,788.9
Market cap (RMm):	8,070.5
Market cap (US$m):	1,907.9
3-mth avg daily t'over (US$m):	6.9

Price Performance (%)

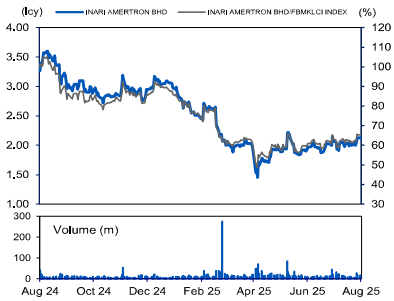
52-week high/low RM3.60/RM1.45

1mth	3mth	6mth	1yr	YTD
6.5	7.0	(13.8)	(40.5)	(30.2)

Major Shareholders	%
Employees Provident Fund	13.4
Insas Bhd	12.9
Kumpulan Wang Persaraan	8.5

FY25 NAV/Share (RM)	0.75
FY25 Net Cash/Share (RM)	0.56

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **The worst is likely over.** Inari's share price has declined 30% ytd, weighed by mounting market concerns over: a) a further moderation in smartphone demand amid expectations of higher retail prices on tariff impact, and b) persistent US-China trade tensions that may disrupt manufacturing operations at the end-customer level and magnify supply chain vulnerabilities. While we expect Inari's 4QFY25 earnings to remain subdued, weighed down by seasonal softness and forex headwinds, our channel checks suggest a notable pickup ahead. Specifically, Inari's RF segment is poised for a strong rebound in 2H25, underpinned by market share gains, enhanced capabilities, and incremental volume support tied to new flagship model launches by its key US customer.
- **Upping its ante to capture the new wave of growth.** Beyond its core RF SiP business, Inari is actively broadening its product suite within the bread and butter business, while its optoelectronics division is seeing encouraging momentum, buoyed by demand for higher-bandwidth fibre chip products. Strategically, the group is laying the groundwork for future growth by expanding into advanced packaging platforms, such as flip-chip chip-scale packages, flip-chip ball grid arrays, and working on specific projects related to advanced technologies. These technologies offer ultra-high performance, high memory bandwidth, and heterogeneous integration capabilities to cater to the increasing demand for cutting-edge semiconductor solutions in AI, server, networking, smart devices and industrial applications.
- **Additional impetus from pragmatic tariff outcome and semiconductor exemptions.** The 19% tariff imposed on Malaysia – lower than the expected 25% – effectively restores a level playing field for Malaysian exporters, particularly within the technology sector. We believe Inari could continue to benefit from Malaysia's strengthened position in the US+1, China+1, and Vietnam+1 supply chain realignments, supported by a well-diversified tech ecosystem, mature industrial infrastructure, strong MNC presence, and consistent government policy support. Additionally, the renewed policy clarity offers much-needed visibility for tech players which includes Inari's end customers, enabling the resumption of deferred investment decisions and a pickup in bulk order flows. Should the exemption of semiconductor products from US tariffs be prolonged, this would further reinforce the structural tailwinds driving onshoring and trade diversion – favourable trends that directly support Inari's long-term growth prospects.

EARNINGS REVISION/RISK

- None.

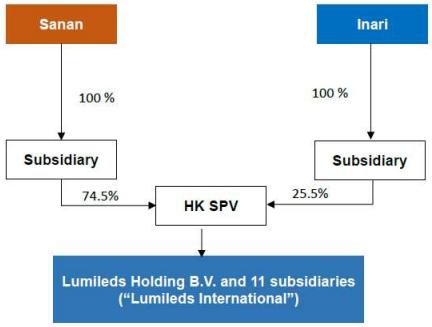
VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM2.36**, based on an unchanged 30.0x FY26F PE (at seven-year mean forward PE). At 19.7x ex-cash FY26F PE (at -1SD below its seven-year forward mean) with negative de-ratings (cyclical bottom) being priced in, we see a balanced risk-reward ratio for a favourable entry point.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- Inari has met globally recognised standards and has been qualified for inclusion into the FTSE4Good Bursa Malaysia Index since 22 Jun 20.
• **Social**
- Only foreign workers with legal work permits are hired, while all employees receive at least minimum wages.
• **Governance**
- The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). No reported incidents of corruption or breaches against policy in 2020.

SHAREHOLDING STRUCTURE OF LUMILEDS INTERNATIONAL UPON COMPLETION



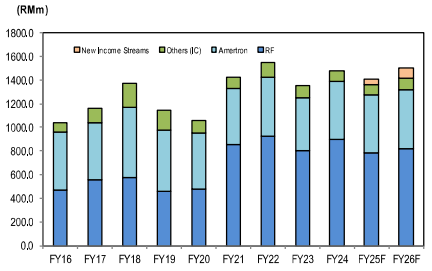
Source: Inari

FINANCIAL INFO OF LUMILEDS INTERNATIONAL

	31 December 2024/2024 (unaudited) Million USD	31 March 2025/2025Q1 (unaudited) Million USD
Total Assets	515	515
Total Liabilities	305	322
Total Equity	210	193
Revenue	589	141
Net Loss (total comprehensive loss attributable to owner)	-67	-17

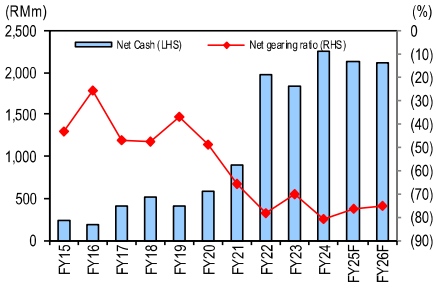
Source: Inari, UOB Kay Hian

REVENUE BY SEGMENT



Source: Inari, UOB Kay Hian

NET CASH AND NET GEARING



Source: Inari, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	**1479**	**1409**	**1502**	**1687**
EBITDA	435	390	437	491
Deprec. & amort.	123	118	122	125
EBIT	312	272	316	365
Associate contributions	0	0	0	0
Net interest income/(expense)	-2	-2	-2	-2
Pre-tax profit	**310**	**270**	**313**	**363**
Tax	-10	-16	-19	-15
Minorities	0	0	0	0
Net profit	**300**	**254**	**295**	**349**
Net profit (adj.)	306	254	295	349

BALANCE SHEET

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	810	818	846	870
Other LT assets	2	3	4	5
Cash/ST investment	2,261	2,137	2,120	2,094
Other current assets	483	587	623	693
Total assets	**3,554**	**3,542**	**3,589**	**3,658**
ST debt	0	0	0	0
Other current liabilities	348	336	353	388
LT debt	0	0	0	0
Other LT liabilities	32	32	32	32
Shareholders' equity	2,794	2,794	2,823	2,858
Minority interest	380	380	381	381
Total liabilities & equity	**3,554**	**3,542**	**3,589**	**3,658**

CASH FLOW

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	**515.7**	**255.2**	**398.1**	**437.9**
Pre-tax profit	310	270	313	363
Tax	(55)	(16)	(19)	(15)
Deprec. & amort.	123	118	122	125
Working capital changes	123	(116)	(18)	(36)
Other operating cashflows	516	255	398	438
Investing	(192)	(150)	(150)	(150)
Capex (growth)	(181)	(150)	(150)	(150)
Investments	280	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	(292)	0	0	0
Financing	**(189)**	**(229)**	**(265)**	**(314)**
Dividend payments	(292)	(229)	(265)	(314)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	103	0	0	0
Net cash inflow (outflow)	**134**	**(124)**	**(17)**	**(26)**
Beginning cash & cash equivalent	**1,869**	**2,000**	**1,876**	**1,859**
Changes due to forex impact	257	261	261	261
Ending cash & cash equivalent	**2,261**	**2,137**	**2,120**	**2,094**

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	29.4	27.7	29.1	29.1
Pre-tax margin	21.0	19.2	20.9	21.5
Net margin	20.3	18.0	19.6	20.7
ROA	10.1	8.6	10.7	12.6
ROE	12.5	10.9	13.6	16.0
Growth				
Turnover	9.2	(4.7)	6.6	19.7
EBITDA	(6.0)	(10.4)	12.1	25.8
Pre-tax profit	(12.9)	(12.8)	16.0	34.4
Net profit	(7.2)	(15.3)	15.9	37.2
Net profit (adj.)	(7.2)	(15.3)	15.9	37.2
EPS	(4.9)	(17.1)	15.9	37.2
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(80.9)	(76.5)	(75.1)	(73.3)
Interest cover (x)	223.9	195.0	218.7	245.4

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